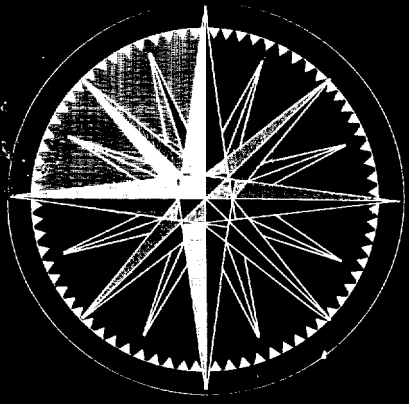


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18 December 1964



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WEEKLY SUMMARY

State Dept. review completed.

CENTRAL INTELLIGENCE AGENCY OFFICE OF CURRENT INTELLIGENCE

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GOVERNMENT MILITARY POSITION SLIPPING AGAIN IN THE CONGO

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Government units have encountered increased resistance in the northeast, while rebel activity seems to be building up in unpacified rear areas. At the same time, Tshombé's military assets are shrinking.

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 However, France's EEC partners oppose any community effort to regulate US capital in the Common Market, and internal French restrictions would only drive US money to a more congenial investment climate and deprive French firms of needed US technology.

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 To keep a majority in the legislature. Premier Burnham must stay on good terms with United Force leader D'Aguiar, with whom he has been at odds for years. Ex-premier Jagan may take a moderate line in hopes of a comeback, but some elements in his party may start new trouble. Racial antagonism in the colony remains high.

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The Communist World

THE USSR AND THE UN "RESCUE FUND"

In conversations with US officials, Soviet representatives have refused to commit themselves on the question of a contribution to the UN "rescue fund," although there are press reports that Soviet UN delegate Fedorenko has disclosed a specific figure to Secretary General U Thant.

In any case, Fedorenko has insisted that the contribution will be forthcoming only if all claims against Moscow are canceled and there are no further complaints about its "so-called arrears." He indicated that the voluntary contribution scheme is acceptable only

if the General Assembly proceeds with its work on a normal basis. The Soviets appear to be holding fast also to their rejection of a pledging conference and their insistence that an unknown amount should permit voting and wipe out all arrears.

Moscow probably feels confident it is in a strong negotiating position. It appears to be counting on delaying any action on its arrears until several other UN members, notably France, become subject to the Article 19 sanction on 1 January. [REDACTED]

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MOSCOW SETS NEW DATE FOR INTERNATIONAL COMMUNIST MEETING

Moscow announced on 12 December that the meeting of Communist parties previously scheduled for 15 December has been postponed until 1 March 1965. A terse Pravda statement declared that this decision was reached on the basis of interparty consultations to permit better preparations prior to the preliminary session which is to arrange a world conference.

The setting of a specific date appears designed in part to demonstrate that, despite the postponement, the new Soviet leaders intend to pursue a firm line toward Peiping. The Chinese bitterly assailed Moscow's previous attempt, under Khrushchev, to convene a meeting.

The Soviets will probably attempt to portray the deferment of the meeting as evidence of their reasonableness and sincere desire

to reconcile interparty differences, in contrast to Peiping's obstructionist tactics. The Chinese, however, can be expected to represent the postponement as a Soviet retreat and an illustration of weakness.

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There is no indication [REDACTED] that the Chinese are willing to attend a Soviet-sponsored preparatory conference next spring. On the contrary, there is some evidence that unless the Soviets are willing to hold the meeting under Chinese ground rules--a very unlikely proposition--Peiping will oppose the spring conclave as forcefully as December's.

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The Communist World

The Peiping-oriented Communist Party of Indonesia, perhaps lofting a trial balloon for the Chinese, has already announced that it will not attend any international meeting "unless it is properly prepared and is attended by the Com-

munist parties of all Socialist states." Indonesian party chief Aidit reportedly advised the Soviet ambassador that it would be better not to organize any meeting than to convene one which would worsen interparty differences. [REDACTED]

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POLITICAL DEVELOPMENTS AT SUPREME SOVIET SESSION

The most important political development at the three-day Supreme Soviet session which adjourned on 11 December may have been the open expression of disagreement over matters relating to economic policy and organization. Kosygin's speech on the state plan, which was one of the major items on the agenda, reflected his businesslike attitude toward these problems. Like those of the other main participants, it was unusually down to earth and contained a minimum of propaganda embellishment.

The high-level personnel and organizational changes which were the subject of numerous Moscow rumors on the eve of the meeting did not take place. The only significant change was the appointment of First Secretary Brezhnev in place of Khrushchev as the chairman of the commission for drawing up a new state constitution. Brezhnev's appointment confirms that the new leaders are observing the traditional practice of giving precedence to the party leader over the governmental head.

The failure of the session to deal with other personnel problems is an added indication that the organization of the new government is still under debate. This in turn lends credibility to the continuing statements from the leadership

that restructuring will be done cautiously.

The apparent decision of the new Soviet leaders to refrain from any serious or bold foreign policy initiatives was reflected in Kosygin's address. Staunchly reaffirming the USSR's policy of detente with the West, the Soviet premier struck a note calculated to assure US policymakers that the Soviet Union is ready to enter into bilateral discussions on a wide range of topical questions. However, he offered little prospect for a meaningful resolution of basic issues. Moscow's show of interest in renewing formal contacts on major East-West questions appears to be largely aimed at instilling a sense of movement in foreign policy in the wake of Khrushchev's ouster.

Kosygin's appeal to the US to "consolidate and continue" the "change for the better" contrasts with the USSR's more strident support of "national liberation" struggles. This effort reflects the new Soviet leadership's concern with the Chinese problem and its need to counter Peiping's charges that the USSR harms the interests of the anti-imperialist front by its policy of "peaceful coexistence." [REDACTED]

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The Communist World

YUGOSLAVIA'S PARTY UNDERGOING REORGANIZATION

The moderate leadership of the Yugoslav League of Communists has begun the party's most thorough overhaul since 1952. The composition of the executive and central committees was significantly changed at last week's eighth party congress, and the new central committee was then asked to concentrate administration of the party in the hands of Tito and three key aides. The leadership apparently hopes by this means to prevent liberals and conservatives from frustrating implementation of the relatively moderate economic and governmental policies approved by the congress.

Apparently as a sop to the leadership's liberal and conservative critics, their major representatives were not eliminated from the party's top body--the executive committee. Six new members were added, however, most of them probably moderates. Almost half of the 155-member central committee is new; 44 members were replaced, mostly old party hacks, and 25 were added.

With these changes, the leadership implemented its new policy, adopted by the congress, on rotation of party officials. The new central committee members, by and large, represent the younger party officials who have been unable to move up in the hierarchy because of the presence of older, ineffective functionaries. The average age of the new members is 45, in contrast to 52 for the old.

The party leadership sprung on the new central committee an unannounced plan to revamp com-

pletely the party's administrative commissions, a subject never broached in speeches at the congress. This maneuver was apparently chosen to minimize opposition and to preclude hostile comment from the floor of the congress.

This plan will apparently give the three secretaries under Tito virtual control over all spheres of party activity. Aleksander Rankovic seemingly retains his pivotal position as arbiter of party discipline and personnel. The position of Edvard Kardelj will have been enhanced if, as seems likely, he becomes the interpreter of party policy on economic and governmental affairs. He already is the most important official in Yugoslavia's government--increasingly an independent mechanism. Veljko Vlahovic, a moderate on the order of Kardelj, joined the elite leadership when added to this exclusive group by the party congress. He now is in a position to contend for the number-one spot when Tito leaves the scene.

These three top secretaries will exert their authority through the executive committee (the politburo) and the central committee, whose members also will be assigned specific responsibilities as members of the new administrative commissions. The leadership apparently hopes this new organization will allow more timely guidance to party officials, as well as permit quicker and more effective reaction to challenges from both inside and outside the party.

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Asia-Africa

DEVELOPMENTS IN SOUTH VIETNAM

Buddhist leaders in South Vietnam are still pursuing their antigovernment campaign. They have published letters to the US ambassador and to Chief of State Suu asking that Premier Huong be replaced, and have staged hunger strikes in Saigon to dramatize their case. The Buddhist leaders still insist that they hope to bring about a change by constitutional processes, but they are hinting that they may soon have to resort to fiery suicides and mass demonstrations. Although key Buddhist leaders, including Tri Quang and Tam Chau, state that they are willing to negotiate with Suu and the High National Council, Quang's conversations with US officials give no impression that they would accept Huong's retention.

For his part, Premier Huong still refuses to bow to Buddhist pressure, although he says he may eventually consider cabinet changes. One minister has already resigned. Huong has denounced Buddhist leaders for soliciting US intervention in domestic affairs, and has warned that the ban on demonstrations will be enforced and "plotters" arrested. He also appears to be maneuvering to exacerbate rivalries among Buddhist sects in order to weaken his opponents.

The Viet Cong have begun their winter offensive. There has been an increasing number of large-scale attacks--nine so far this month--and ambushes, resulting in heavy casualties on both sides. Battalion- and company-size actions were reported from the northern highlands to the delta. Small-scale incidents of terrorism and hamlet harassment remain at a high level. A continued rise in both the scale and intensity of Communist activity can be expected. The Viet Cong have put out special exhortations to greater effort to commemorate the fourth anniversary of the founding of the National Liberation Front on 20 December.

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AREA NOTES

Laos: The neutralist drive against the strategic hill position at Phou Kout, launched on 2 December, has stalled in the face of stiff Communist resistance. Farther south, the Pathet Lao capability to move almost at will through the countryside was evidenced by a commando-type raid against a supply installation on the outskirts of Thakhek on the night of 12-13 December. Other areas remain relatively quiet, with government forces consolidating their positions in the Ban Nong Boua Lao area east of Savannakhet and in the Tha Thom region southeast of the Plaine des Jarres.

Prospects remain dim for any early resumption of high-level talks among the faction leaders. The Pathet Lao, still hopeful of getting the other factions into agreement on a 14-power conference, have called for renewed negotiations in Paris. The anti-Communist factions, probably encouraged by what they consider to be a toughening US position in Southeast Asia, do not appear anxious to negotiate. In an effort to avoid the onus for finally breaking off the talks begun in Paris last August, however, rightist and neutralist leaders have said they are willing to hold talks in Laos. The Pathet Lao strongly oppose a new meeting there.

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South Korea: President Pak Chong-hui will be hard pressed to prevent a major clash between friends and foes of his one-time strong man Kim Chong-pil at the government party's convention tentatively slated to open on 28 December. Kim's opponents are seeking to break his hold on the party by calling for the elimination of its secretariat, where the pro-Kim forces are strong.

Kim's group has been increasingly on the defensive since last June, when Pak sent Kim to the US in semiexile. Pak, however, probably is reluctant

to see the influence of his long-time friend and confidant completely purged from the party, and, in the guise of a compromise, appears likely to support retention of a modified secretariat.

At the same time, any of Kim's hard-core followers who feel sufficiently threatened may make an all-out fight to save their position. A struggle at this juncture could reverse the trend toward growing public confidence in the government, and thereby weaken Pak's ability to cope with domestic problems and gain acceptance of a settlement with Japan.

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Asia-Africa

INDIA MOVES TO TIGHTEN HOLD ON KASHMIR

New Delhi's most recent move toward integrating Kashmir into the Indian union will be popular throughout India, but will greatly increase the prospects for unrest --possibly violence--within Kashmir itself and for a sharp reaction from Pakistan. The new moves involve extending provisions of the Indian constitution to the disputed state, thereby permitting imposition of direct administrative control from New Delhi, if that should become necessary.

A hard line against any form of Kashmiri separatism is one of the few almost universally popular policies that the new and still somewhat insecure Shastri government could adopt. Only a small and marginally influential group of Indians advocate the substantial abridgement of Indian authority in the state that would be necessary to resolve Kashmiri and Pakistani grievances.

Kashmir's relative calm in the past six months has been due

largely to hopes that negotiations involving India, Pakistan, and the Kashmiri leader Sheikh Abdullah might take place and lead to some loosening of India's grip on the state. The recent announcement of further integration measures makes such talks unlikely at this time. Some Kashmiri Muslims may react by organizing violent resistance to these new Indian pressures.

Pakistan is interpreting the integration measures as confirmation of its suspicions that the Indians have no real intention of negotiating a settlement. In response to Delhi's moves, the Pakistanis are likely to accelerate their aid to dissident Kashmiris, may instigate more and bigger incidents along the cease-fire line --they now average about three a day--and are presumably considering again bringing the Kashmir question before the Security Council.

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EGYPT'S PROBLEMS IN YEMEN COMPOUNDING

Egypt's problems in Yemen are being compounded from within the Yemeni republican camp. As a result of the continued postponement of the all-Yemen national truce conference, the long-smoldering resentment of Egyptian control has developed into open defiance of President Sallal's Egyptian-supported government.

Following Egypt's and Saudi Arabia's failure to agree on basic

guidelines for the conference, which was originally scheduled for late November, Yemeni republican cabinet members resigned wholesale, leaving three deputy premiers and President Sallal to run the government with the help of Egyptian advisers. The ex-cabinet members demanded that the truce conference convene in a neutral place under the supervision of the Arab League. They probably reasoned that this move might

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permit Nasir to save face and at the same time enable the republicans to escape the full weight of Egyptian influence.

Early last week, the Egyptians received a new blow when another group of influential republicans defected to Saudi Arabia via Aden.

Egypt and Saudi Arabia meanwhile continue to negotiate over the conference conditions and to try to maintain, or im-

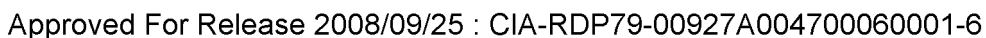
pose, a cease-fire through joint observer teams. Neither side has reacted openly to the latest developments among the Yemeni republicans. Time now appears, however, to be working to the advantage of the Saudis and their royalist protégés, and there are some indications that Egyptian activity has narrowed to maintaining Yemen as a springboard for attacks against the British in the Aden area.

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Asia-Africa

GOVERNMENT MILITARY POSITION SLIPPING AGAIN IN THE CONGO

The Congolese Government's military position has recently slipped in some areas, and the general outlook could deteriorate rapidly.

Mercenary-led government units in the western Congo have resumed their slow advance but against growing rebel resistance. Government forces in the Boende area have driven a strong rebel force out of some neighboring towns. Other units have resisted rebel pressures in towns along the road between Boende and Stanleyville.

Elsewhere the picture has darkened considerably for the government forces. A rescue attempt from Stanleyville to relieve beleaguered troops on the road at Opala has been stalled. Troops which were advancing rapidly in the north-east via Paulis toward the Sudanese border now are encircled by a large number of rebels who are well armed and exhibit some guerrilla expertise. The goods laden barges destined to relieve Stanleyville have been forced to halt 120 miles downriver by fire from heavy weapons on the left bank.

In the eastern Congo, the government columns south and southwest of Bukavu have also been stalled. West of Bukavu, on the roads to Kindu and Stanleyville, army units are stymied by destroyed bridges and increased rebel harassment. The area commander believes that Uvira, on the Congo-Burundi border, is in for another major

rebel assault soon--perhaps on Christmas day. The rebels are reportedly concentrating at Fizi, south of Uvira near Lake Tanganyika.

The government still retains the military initiative around Kindu, but the string of garrisoned towns from Kindu to Nord Katanga Province are constantly harassed by roving bands of rebels. Along the province border, mercenary-led government columns are bogged down by sizable and determined rebel units.

Premier Tshombé's reliable military assets meanwhile are dwindling. There now are only about 200 mercenaries, down from 400 in early November. Tshombé also has fewer aircraft than two months ago. In October, seven T-6s manned by mercenaries were available, in addition to three B-21s and twelve T-28s flown by Cubans. Only three T-6s are in flying condition now, and these probably will be grounded shortly for lack of maintenance. Crews of the B-26s and T-28s are still holding up but under considerable pressure which is likely to increase rather than decrease.

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US DIRECT INVESTMENTS IN THE EEC
(MILLION DOLLARS)

COUNTRY	1950	1957	1960	1961	1962
BELGIUM and LUXEMBOURG	69	192	231	261	283
FRANCE	217	464	741	857	1,006
GERMANY	204	581	1,006	1,177	1,472
ITALY	63	252	383	483	540
NETHERLANDS	84	191	283	310	370
COMMON MARKET TOTAL	637	1,680	2,644	3,087	3,671
TOTAL US INVESTMENTS ABROAD	11,788	25,394	32,778	34,664	37,145

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Europe

PARIS SEEKING TO REGULATE US INVESTMENTS IN FRANCE

The French are casting about for ways to curb growing US investments in France, which presently stand at well over a billion dollars. Although this is less than one percent of total investments, Paris is concerned about the impact that American capital is having on certain key sectors of the French economy. According to the French weekly *Enterprise*, US business now "dominates" 87 percent of the French firms in which it participates, jointly controls 7 percent, and holds a minority interest in only 6 percent.

In seeking entry into the French capital investment market, US firms have held a marked advantage over potential domestic competition. This is due to their advanced technology, enormous financial resources, and a large, secure home market. Of the 200 largest industrial firms in the world, the US controls 123, while French interests control nine (and Germany--with a GNP comparable to that of France--controls twice as many). Total French expenditures for industrial research are only 9 percent of the comparable US outlay.

No serious obstacles were raised against American investment in France before 1963. However, when such US companies as Firestone, Pillsbury, General Foods, and Good-year subsequently took commanding positions in certain areas of the French economy, the government began to take a closer look. Chrysler's acquisition of a 64-percent

share of the SIMCA automotive complex in 1963 generated further concern, and De Gaulle earlier this year made a personal effort to block General Electric's acquisition of Machines Bull, the leading French computer manufacturer. The paucity of French technological resources in this field obliged him to give way, although a face-saving arrangement was worked out to leave Bull's military-related components under French control.

In the spring of 1963 the French proposed that the EEC adopt some special measure to regulate American capital in the Common Market, but were rebuffed. Despite increasing concern in Germany and Italy over the recent US capital inroads in those countries, there is no indication of any greater willingness at this time to counter the present trend. De Gaulle recently suggested that this trend could be reversed by promoting greater European economic unity through such moves as broader cartel arrangements.

While Paris could impose severe restrictive measures internally--such as withdrawing voting rights from French corporation shares acquired by foreigners or selectively suppressing tax and credit privileges--capital would then flow to another country where the investment was more congenial. Such measures, too, would deprive France of the advanced technology that is vital to the operations of some French firms.

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Western Hemisphere

OUTLOOK FOR THE NEW BRITISH GUIANA GOVERNMENT

Forbes Burnham replaced Cheddi Jagan as premier of British Guiana on 14 December under circumstances which bode ill for either a stable, effective government or for averting violence for very long. In last week's election Burnham's People's National Congress (PNC) won only 22 seats, as compared with 24 for Jagan's People's Progressive Party (PPP). The PNC has an assured working majority, however, through the promised support of the conservative United Force (UF), which acquired 7 seats.

Burnham is a shrewd politician--and a hard worker when he feels like it--but his natural cockiness and dictatorial ruthlessness have been reinforced by victory. He may, in fact, have troubles with the UF, since he and UF leader Peter D'Aguiar have been at odds for years. Although Burnham for tactical reasons endorses D'Aguiar's pro-Westernism, Burnham's socialist views will almost certainly clash with the UF's business-capitalism approach.

Burnham plans to move swiftly to establish his administration, but inherits some badly muddled economic problems which will strain the limited administrative talent available to him. He will also face a determined opposition.

The voting, which virtually obliterated several small anti-Jagan parties, also deepened the colony's racial cleavage.

Burnham has tried to win East Indian support by including several East Indians in his predominantly Negro government. Such ploys, however, may have little effect, particularly since Burnham has named a Negro racist, Ptolemy Reid, as first deputy premier.

Plagued by power struggles within the leadership, the PPP appears to be floundering in uncertainty over what to do next.

Jagan personally is complaining of fraud but appears to be supporting a moderate nonviolent line with the thought of making a comeback.

Some US observers nevertheless feel that the PPP is almost bound to resort to violence again in a few months, particularly if Burnham manages the government reasonably well in the face of legal opposition. The party may not be averse to being provoked to violence earlier by PNC supporters. Yet, since London's Labor government has warned that it will not grant independence before peace and stability are clearly established, the PPP may decide to behave. Either way, sharp pressures could build up for inclusion of the PPP in the coalition as the only fair way for East Indian representation--thus bringing Communist influence back into the government.

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Western Hemisphere

PERONISTS PROMOTE UNREST IN ARGENTINA

Juan Peron's announcement in Spain that he will refrain from further political activity probably will not deter his hard-line followers in Argentina from intensifying their subversive activities, including the promotion of new violence. While these Peronists are a minority within the Peronist movement, they are attempting to enlarge their support by exploiting labor's economic grievances, which they hope to promote into revolutionary action. The hard-liners, moreover, are adopting extremist tactics at a time when some Peronists are slipping into legal parties in order to participate in next March's congressional elections.

The rally was billed as a part of the CGT year-old "battle plan" to protest economic and political conditions, but its main intent was to stir up unrest in the wake of Peron's futile attempt to return. Consequently independent and some "soft" Peronist unions--reportedly almost half of the CGT unions--will ignore the strike call, especially since Alonso was released on 15 December.

Extremists are also trying to increase tensions by stepping up terrorist activities. The homes of several anti-Peronist leaders and the Buenos Aires office of a Brazilian magazine have already been bombed. Hard-line Peronists have also begun a campaign charging that US pressure was responsible for the "solid" front of South American countries against the Peronists.

The armed forces have so far refrained from taking any action against the Peronist demonstrations. However, they can be expected to move swiftly in support of the police if Peronist-instigated disturbances threaten to get out of hand. Breaking its customary silence regarding unrest, the government issued a communiqué on 15 December firmly warning that it was prepared to use all forces at its disposal to suppress any form of disorder or the perversion of legitimate trade union activities into springboards for partisan political gains.

In the meantime, the Peronist-dominated General Confederation of Labor (CGT) has ordered a 48-hour nationwide general strike for 17-18 December to protest the arrest of CGT Secretary General Jose Alonso at an unauthorized rally last week. The arrest followed clashes between the police and demonstrators who arrived armed with clubs and small arms.

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Western Hemisphere

CHILEAN PRESIDENT SURVEYS SOME CURRENT PROBLEMS

Chile's newly inaugurated President Frei is saying that his administration anticipates growing opposition from both the extreme right and the left.

On the right, Frei foresees difficulty in dealing with some of Chile's wealthiest men who heretofore have paid virtually no taxes. Frei estimates that five years would be required to achieve a fully effective income tax system. He therefore is inclined to feel that a capital levy will be necessary if "needed and promised" reforms are to be implemented anytime soon.

On the far left, Frei ascribes increasing labor agitation to leftist fears of the growing popularity of his government with the masses.

Frei is satisfied with the progress of his government's

negotiations with the US copper companies in Chile to increase production and exports and to get a larger Chilean voice in company operations. A settlement with Anaconda reportedly will be announced on 18 December. Meanwhile, the President feels that the time has come to start giving greater attention to other important industrial problems.

Commenting on the international Christian democratic movement in Latin America, Frei said that his party will not overtly attempt to influence Christian Democrats abroad and will follow a cautious line aimed at avoiding charges of intervention. He denied that the Chilean and Venezuelan parties are rivals for continental leadership of the movement. Although Frei made no mention of it, his party, in fact, played a role in the recent organization of the new Ecuadorean Christian Democrat Party.

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IMPLICATIONS OF POSSIBLE COLOMBIAN CURRENCY DEVALUATION

A sharp decline of Colombia's dollar reserves last week almost forced a devaluation of its peso which could have aggravated many of the country's

other problems. Although foreign exchange transactions this week have so far averted the need for such action, a similar crisis could occur at any time.

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Devaluation is regarded by many fiscal experts as inevitable and, if accompanied by appropriate regulatory measures, conceivably beneficial to Colombia's economy. Precedent, however, is not reassuring. In 1962, the last time the peso was devalued, the operation was handled so ineptly that it triggered a severe inflationary situation.

Another devaluation at this time could thus be a dangerous political step for the government to take. President Valencia has already been the target of intense public criti-

cism for several months. Indeed, Colombia's entire National Front system of government is under continuous attack because of its inertia and failure to improve economic conditions.

Although a political crisis brought on by a devaluation may cause bickering progovernment leaders to submerge their differences, it could also further intensify the existing political unrest.

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Western Hemisphere

NEW POLITICAL TENSION IN HONDURAS

Honduran politics have been disturbed by the ouster of Defense Minister Escalon. He was dismissed following a disagreement with Chief of Government Lopez over a recently promulgated amnesty decree for political offenders.

sufficient political tension to cause postponement of elections now scheduled for mid-February.

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At the root of the problem is a successful effort by Zuniga to drive a wedge between Lopez and Escalon. Since the October 1963 coup which brought Lopez to power, Zuniga has missed no opportunity to exploit the differences between the two men or to downgrade Escalon as the number two man in the government.

The two most important army units--the First and Second Battalions--stationed in Tegucigalpa remain loyal to Lopez. As long as they remain so, it would be virtually impossible to overthrow him.

Meanwhile, a number of subversives outside Honduras have taken advantage of the amnesty to return to the country. Their presence may eventually create

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